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SECRET

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28 February 1972

Central Intelligence Bulletin

CONTENTS

ISRAEL-LEBANON: Intensive air and ground attacks may end today. (Page 1)

JAPAN: Government concessions should end the opposition's boycott of Diet proceedings. (Page 2)

USSR-SYRIA: Moscow extends economic aid and possibly military assistance to Damascus. (Page 3)

ITALY: Parliamentary defeat of Andreotti's government is another step toward general elections. (Page 4)

RHODESIA-UK: The Pearce Commission may be confronted anew by blacks opposed to the Anglo-Rhodesian settlement. (Page 5)

PERU-CUBA-OAS: The Peruvian foreign minister may raise the question of reintegrating Cuba into the inter-American system at the OAS ministerial meeting in April. (Page 6)

EL SALVADOR: The Legislative Assembly has confirmed the election of Colonel Molina. (Page 7)

LAOS: Military situation (Page 8)

MALTA-UK: Latest round of talks washed out (Page 8)

GATT: Negotiations (Page 9)

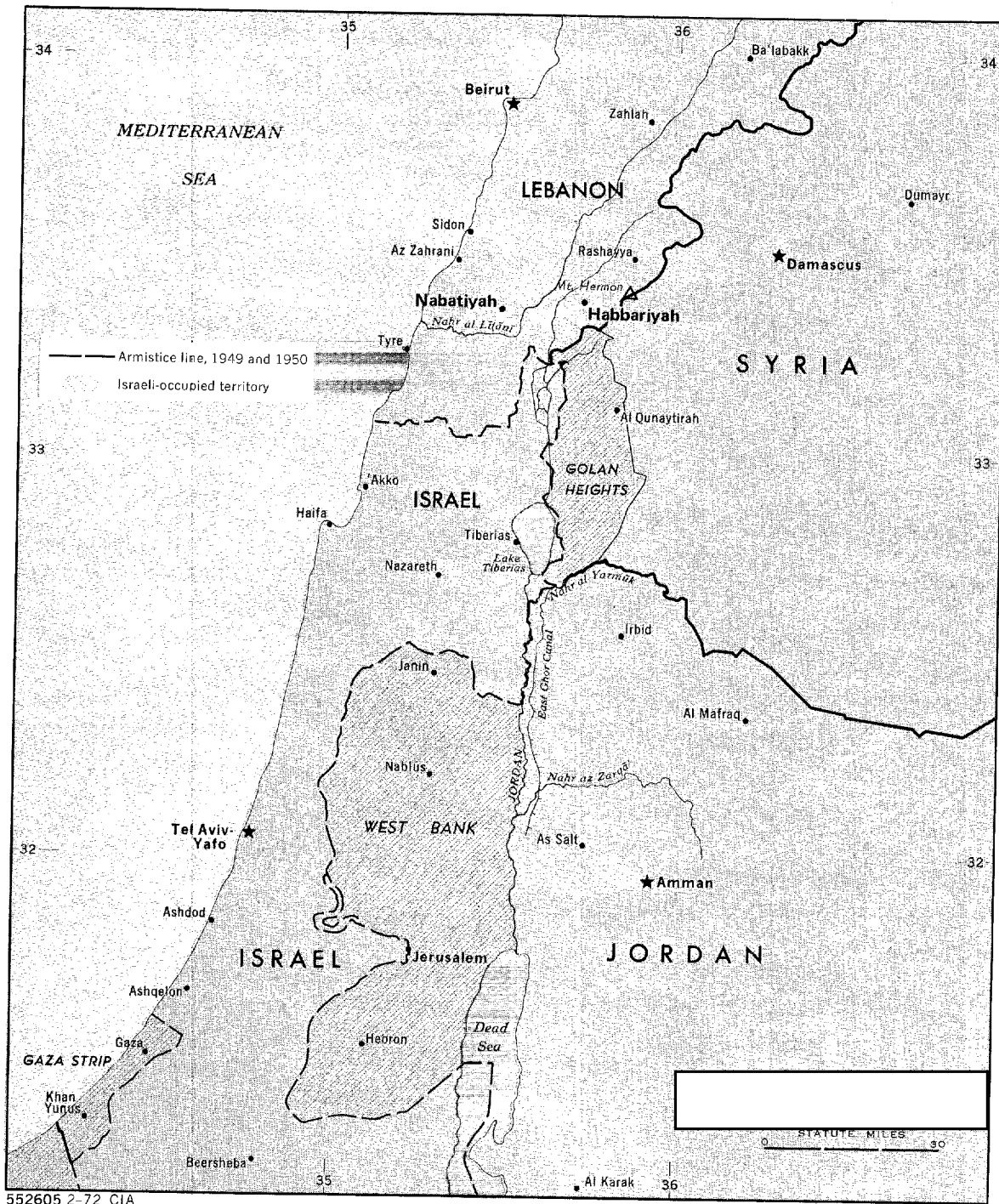
SUDAN: Government-rebel negotiations (Page 9)

BURUNDI-CHINA: Chinese economic and military aid agreements (Page 10)

NIGERIA: Import payments backlog erased (Page 10)

SECRET

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SECRET

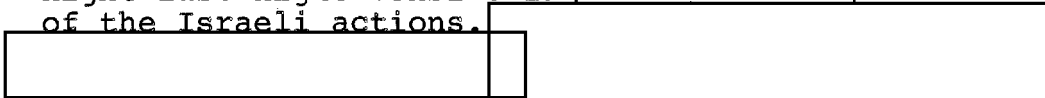
ISRAEL-LEBANON: After three days of intensive air and ground attacks on Palestinian commando bases in southern Lebanon, Israeli officials stated last night that their forces would withdraw Monday night when they had completed building access roads into the border area.

The focus of the Israeli attacks appeared to be Nabatiyah--a town in the interior which includes a Palestinian refugee camp and fedayeen regional headquarters, subjected to repeated air strikes; Habbariyah, near Mt. Hermon on the Syria-Lebanon-Israel frontier, where Israeli bulldozers are clearing an assault road with heavy infantry and armored support; and two other villages on the slopes of Mt. Hermon, where fedayeen sources reported heavy fighting. Israeli Skyhawk (A-4), Mirage, and Super-Mystere aircraft supported the attacks. Official Beirut announcements stated that Lebanese artillery units were involved in the fighting, but gave no details. The Damascus radio said Syrian military headquarters declined to confirm fedayeen reports that Syrian anti-aircraft units had fired on Israeli planes.

Reports available to the US Embassy in Beirut indicated that at least 17 persons died in the air attacks on Nabatiyah. Another 50 were reported injured and some 20,000 refugees from the border areas were expected to reach coastal cities by Monday morning. No official count of military casualties for either side has been given.

Israeli military spokesmen have stated that the resumption of their attacks Sunday was in response to renewed fedayeen provocations, but a Foreign Ministry official Sunday night indicated that the road-building operations begun Saturday were still going on and would not be completed until Monday.

The Security Council was in session at midnight last night considering Lebanon's complaint of the Israeli actions.



28 Feb 72

Central Intelligence Bulletin

1

SECRET

25X1

25X1

SECRET

JAPAN: The government's offer to revise the defense budget should bring an end to the opposition's boycott of Diet proceedings.

Opposition parties in the Lower House, charging that the government violated normal legislative procedure by rushing the budgetary process, have blocked all parliamentary activity for more than two weeks. On 24 February, however, the opposition accepted an offer by the ruling Liberal Democratic Party to submit a new defense budget for committee and plenary consideration, thus ending the impasse.

The review process, which could take a month, will delay passage of the national budget. In the interim, the government is preparing a provisional budget to cover non-military needs, including Okinawan reversion projects. In the new defense budget, cuts probably will be made in funding for aircraft development and procurement.

The precedent set by the government's yielding to pressure may open the door for more thorough scrutiny of the budget by the opposition in the future.

25X1

28 Feb 72

Central Intelligence Bulletin

2

SECRET

SECRET

USSR-SYRIA: Moscow has extended new economic aid and possibly additional military assistance to Damascus, according to the communiqué issued at the end of Deputy Premier Mazurov's visit.

The economic agreement provides for unspecified Soviet credits to Syria's oil industry, railroads, and water development projects. The communiqué also indicates that "feasible steps for promoting" Syria's defense capability were discussed.

On the political side, Moscow's penchant for formalizing relations was reflected in the signing of an agreement--the first ever to regulate contacts between the Soviet Communist party and the Baathists. The Soviets expressed satisfaction with the recent "democratic changes" in the country, and urged a continuation of Arab efforts to unify on a "democratic and anti-imperialist" basis. The Soviets did not, however, specifically endorse the Confederation of Arab Republics, and the Syrians could not be persuaded to approve the idea of a political settlement of the Middle East crisis.

SECRET

SECRET

ITALY: Parliamentary defeat of Giulio Andreotti's nine-day-old government on 26 February is another step toward general elections, probably in May.

The Christian Democrats, the Liberals, and a German language splinter party voted to uphold the single-party, Christian Democratic government which lost 158 to 151. Speculation that the neo-fascist Italian Social Movement would provide Andreotti a winning margin proved unfounded.

President Leone is expected to recognize the unlikelihood of finding any government to rule until the end of the present legislature in 1973, and hence probably will dissolve parliament and call for new elections. Such elections would have to take place within 70 days of the dissolution of parliament.

The Christian Democrats have sought for weeks to set the scene for early elections--in part because a redistricting based on the 1971 census could cut their parliamentary strength next year. Furthermore, the outlook for a substantial pickup in the domestic economy, control of inflation, or containment of labor unrest this year is relatively gloomy. As the principal government party, the Christian Democrats would be blamed for failing to improve economic conditions.

The dissolution of parliament automatically postpones for at least a year a pending referendum to abrogate the country's divorce law. Italian political leaders think that only the neo-fascist party will benefit from the referendum.

25X1

25X1

28 Feb 72

Central Intelligence Bulletin

4

SECRET

SECRET

RHODESIA-UK: The Pearce Commission, hoping to conclude its canvass by 11 March, may be confronted anew by angry blacks opposed to the terms of the Anglo-Rhodesian settlement.

Since the riots in Rhodesia's African townships late last month, the country has been relatively calm and the commission has been able to go about its business largely unimpeded. A group of prominent white moderates has been trying in the last few weeks to rally enough African support to salvage the settlement, but press reports suggest that most blacks continue to reject the terms. According to one British Conservative Party MP, Lord Pearce and several other members of the commission said privately earlier this month that their report will indicate overwhelming African opposition to the settlement. The group probably will present its findings to Foreign Secretary Home in early April.

The Rhodesian Government has been trying to explain away African reaction as the work of a "small minority of rabid, militant, nationalist hooligans." The massive African rejection of the terms, however, clearly indicates the solid opposition of blacks to the Smith regime as well. To dramatize this, the African National Council (ANC), the main spokesman of African opinion, reportedly is trying to organize a general strike before the commission leaves. Although a nationwide strike will be extremely difficult to stage because of government security precautions, the ANC has shown remarkable organizational abilities since it was established last December, and some form of strike action and further violence are possible.

25X1

25X1

28 Feb 72

Central Intelligence Bulletin

5

SECRET

SECRET

PERU-CUBA-OAS: Peruvian Foreign Minister de la Flor apparently intends to raise the question of reintegrating Cuba into the Inter-American system at the OAS ministerial meeting in April.

De la Flor recently asked the US ambassador about a possible change in US policy toward Cuba. Despite the ambassador's denial, the foreign minister apparently believes that the US intends to make a dramatic about-face. He does not want Peru to be caught short in such a situation. According to the Peruvian ambassador to the US, de la Flor has contended that the states of Louisiana and Florida are pushing for a change in US policy because of the increased "stop-over" tourist trade that diplomatic relations with Cuba would generate.

Last December, Peru proposed that the OAS resolution provide for freedom of action in restoring diplomatic and commercial ties with Cuba. Peru was surprised by the strength of the opposition that developed at that time. There is no indication that this situation has changed markedly, but de la Flor apparently intends to persist in trying to modify OAS resolutions against Cuba.

25X1

25X1

28 Feb 72

Central Intelligence Bulletin

6

SECRET

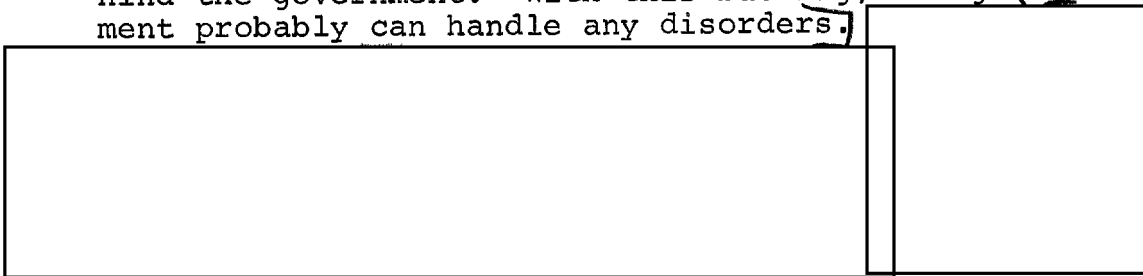
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EL SALVADOR: The Legislative Assembly has confirmed Colonel Arturo Armando Molina as president-elect, ending the controversy over the outcome of the 20 February election.

The Central Electoral Council announced Friday afternoon that Molina, the governing party's candidate, had edged out his nearest rival, the leftist coalition candidate Napoleon Duarte, by approximately 10,000 votes--less than a majority. The legislature then met to decide between the two men and, following what the US Embassy describes as a stormy session, voted 31 to 21 for Molina.

Duarte had piled up a heavy lead in the department of San Salvador, and would have won the election with a 9,000-vote plurality had the council not announced the discovery of roughly the same number of uncounted Molina ballots in outlying districts. Many of Duarte's supporters have charged that the outcome was rigged. Duarte has accused the government of fraud but has pleaded with his partisans to avoid violence.

[The inclusion of a Communist-controlled party in Duarte's coalition plus his campaign attacks on the military helped to unite the officer corps behind the government. With this backing, the government probably can handle any disorders.]



28 Feb 72

Central Intelligence Bulletin

7

SECRET

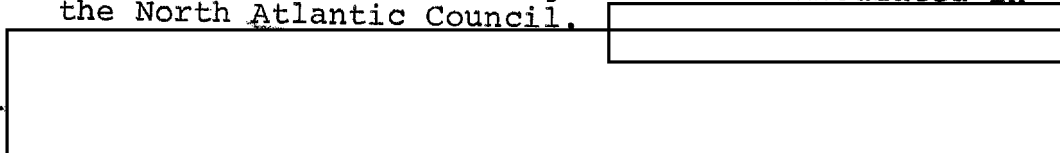
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LAOS: Vang Pao's irregulars east of the Plaine des Jarres are encountering stiff enemy resistance. The North Vietnamese have reacted strongly to the threat posed by the task force targeted against 130-mm. guns and supply caches along the southern edge of the Plaine. Hard hit several times in the past few days, the task force retreated into the foothills east and southeast of the Plaine on 24 February. The other three task forces have made little forward progress and report ground and shelling attacks against them. One of the groups, however, has occupied high ground overlooking Route 4, a heavily used supply artery east of the Plaine, and is directing air strikes against enemy trucks and supply areas on the road.



MALTA-UK: The talks that had been scheduled to resume this past weekend in London were washed out when Prime Minister Mintofo balked at a message from Prime Minister Heath that held out "little chance of movement" in London's position. Mintofo's reply, which characterized the British message as a demand "to capitulate unconditionally" on bilateral issues, reiterated his demand that London fulfill an offer of \$7.8 million made to the previous Maltese government to improve the Malta drydocks. The British had informed Valletta last summer that this offer no longer stood because of the new and more generous over-all settlement that was being proposed. A British official, who indicated London is unlikely to respond to Valletta's latest move until today, said that Mintofo's message would be circulated in the North Atlantic Council.



28 Feb 72

Central Intelligence Bulletin

8

SECRET

SECRET

[GATT: Key delegates, meeting informally, have reached general agreement on terms of a GATT declaration on future trade negotiations. The declaration commits them to seek every opportunity to settle current trade problems during 1972 while laying the groundwork for multilateral, comprehensive negotiations to begin in 1973 if GATT members are able to obtain the necessary negotiating authority. Meanwhile, the Committee on Trade in Industrial Products probably will meet in late March to continue work on non-tariff barriers and to develop specific approaches to the 1973 negotiations. Representatives of the less developed countries, however, want the declaration to cover their specific problems more fully, and they may delay approval.]

25X1

25X1

[SUDAN: Government-rebel negotiators reportedly have set forth their positions for a settlement which still must be approved by Sudanese President Numayri and rebel leaders. Before the talks there was considerable dissension among the rebel leaders over demands to be made on Khartoum. This dispute and other hurdles could slow the coming of any accord, but one of Numayri's priority objectives has been to find a way to end the insurgency accompanying the generations-old drive by the south for regional autonomy.]

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28 Feb 72

Central Intelligence Bulletin

9

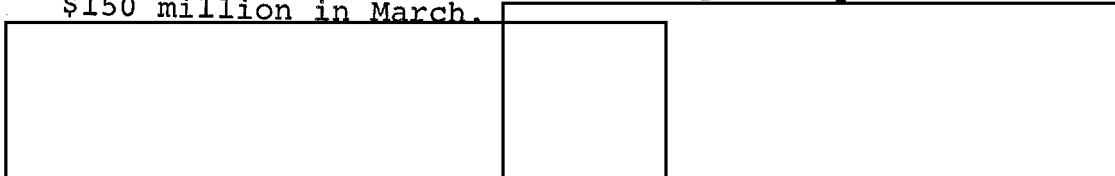
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BURUNDI-CHINA: The resumption of diplomatic relations last October has been followed by Chinese economic and military aid agreements. The Chinese reportedly are to build a road from Bujumbura to Burundi's source of the Nile and finance the construction of a hydroelectric complex near the capital, under an economic aid agreement signed in early January. The Chinese also will draw up plans for development of a sparsely populated region in southeastern Burundi near the Tanzanian border.



25X1

NIGERIA: The final installment of \$100 million has been made on Lagos' import payments backlog. The backlog resulted largely from increased military imports and lower export earnings during the civil war in 1967-1970 and reached about \$600 million before payments were frozen in April 1971. Since then, Lagos has made periodic payments, and the final installment was made ahead of schedule. The early payment has been made possible largely by increased oil revenues, which probably will be \$150 million in March.



25X1

28 Feb 72

Central Intelligence Bulletin

10

SECRET

Secret

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